



The Voice of Rural Telecommunications

EX PARTE OR LATE FILED

April 3, 1998

RECEIVED

APR 3 - 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie R. Salas, Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: Ex Parte Notice
CC Docket No. 96-45

Dear Ms. Salas:

In accordance with the ex parte rules, I have attached a letter from the Rural Telephone Coalition (RTC) sent to FCC Chairman William E. Kennard regarding principles for universal service. An original and one copy of this letter is being submitted for the record.

If there are any questions in this matter, please contact me at NTCA.

Sincerely,

L. Marie Guillory
L. Marie Guillory
Vice President, Legal & Industry

Attachment

cc: Tom Powers

No. of Copies rec'd 0+1
List ABCDE

April 3, 1998

RECEIVED

APR 3 - 1998

**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**

William E. Kennard, Chairman
Federal Communications Commission
1919 M Street, N.W., Room 814
Washington, D.C. 20554

Dear Mr. Chairman:

The RTC appreciates your invitation to comment on the Eight Universal Service Principles you proposed to NASUCA and NARUC as a guide to reform the universal service system. We welcome your leadership in an area which is of vital concern to rural America. The support of service in high cost areas along with other governmental programs, such as RUS and its predecessors, have been instrumental in enabling our member companies to provide telecommunications service where it would not otherwise have been feasible. Not only have our members provided service in these areas, but they have provided high quality service and access to advanced services. In many instances our members offer state of the art services to their subscribers which are comparable in features, price and quality to services found in major cities. It is a proud legacy and it should be preserved. The Telecommunications Act of 1996 contains many provisions which are intended to maintain the quality, development and rural reach of the nation's public network, even as the telecommunication industry is opened to competition.

The 1996 Act charges the FCC with the responsibility for ensuring the ongoing availability of "reasonably comparable" rural and urban services at "reasonably comparable" rural and urban rates, as well as access to advanced services for areas that could be deprived of affordable and "reasonably comparable" service so that others may enjoy competition for service. Congress specified the framework for universal service as an integral part of opening up the telecommunications market to competition. "Sufficient" federal support mechanisms should be a given. They should not be an after-thought — the network is a valuable nationwide resource which should be protected and nurtured. Nationwide universal service is an attainable goal when the responsibility is shared by all customers and the total industry. In the finest tradition of America, universal service is a national policy that embodies the national goal you reiterated to NASUCA, "to foster the development of a telecommunication system that brings us together as a Nation."

NRTA

NATIONAL RURAL TELECOM ASSOCIATION
1 Massachusetts Ave., NW
Suite 800
Washington, D.C. 20001
(202) 628-0210



**NATIONAL TELEPHONE COOPERATIVE
ASSOCIATION**
2626 Pennsylvania Ave., NW
Washington, D.C. 20037
(202) 298-2300

OPASTCO

**ORGANIZATION FOR THE PROMOTION
AND ADVANCEMENT OF
SMALL TELECOMMUNICATIONS COMPANIES**
21 Dupont Circle NW, Suite 700
Washington, D.C. 20036
(202) 659-5990

In the aggregate, our members serve less than five percent of the people in this country but live in forty percent of the geographic area. For example, Montana with its 145,556 square miles of area has a population of approximately 900,000 people while an equivalent area extending from New Hampshire to Maryland, including New York, Pennsylvania and New Jersey, has almost 60,000,000 people. Tremendous differences within and among the states in numbers of customers, population density and service area size make it impossible to offer comparable service at a comparable price without nationwide support.

In this context, we are greatly concerned that the eight universal service principles you have proposed — and some of the Ad Hoc state group's principles that yours reflect — depart drastically from the vision Congress enacted in Section 254 of the Act. The eight principles are stated in negative terms rather than the positive principles in the legislation. They focus on what the federal government can require or pressure the states to do, rather than what needs to be done federally to accomplish the nationwide universal service mandates of the Act. Indeed, they substitute words like "minimum" for the legislation's positive commitment to a standard of "sufficient" federal support.

We fundamentally disagree with the notion that Congress intended federal support solely as a supplement to state support; and there is no requirement in the Act for states to assume most of the burden. The law requires exactly the opposite — sufficient federal support to achieve the federal universal service definition, with optional state definition and funding supplementation. A multitude of state solutions will have varying results and impose disproportionate burdens upon the customers in poor and rural areas. The goal of limiting the aggregate federal support contributions collected in low cost states is entirely absent from the list of principles Congress adopted in Section 254. If each state must first support as much of its high costs "as is possible," specifics will vary from state to state and, consequently, so will the federal support obligations of customers and carriers. It is hard to imagine how this will encourage extending "efficient investment" in evolving infrastructure for rural customers that recognizes the external benefits of a widely available, high quality network or how it will help a high cost rural state promote service to underserved areas. Nor is there a requirement for states support to be explicit — Section 254(e) only requires "explicit" support for federal universal support.

The RTC endorses the vision of Congress in the 1996 Act — a federal universal service program which is specific, predictable and sufficient to achieve reasonably comparable rural and urban service and rate objectives and access to advanced telecommunications and information services, which draws on nationwide, properly targeted support for high cost areas. We were pleased that Congress expressly called upon the FCC to ensure these universal service objectives as well as to promote competition.

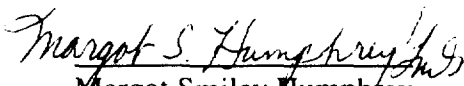
We believe it is essential for the FCC to accept its paramount federal universal service support role and exercise the national leadership required to realize the objectives set forth by Congress. Only the federal government is in a position to ensure the application of "reasonably comparable" standards and continually evolving rural and urban services, rates and network advances the law requires. Only the federal government can ensure that these concepts have a common meaning in each and every state and in each and every city, town and village in our country and prevent universal service from becoming obscured by parochial "state" perspectives that have

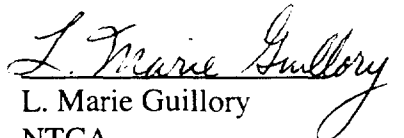
no legal relevance to implementing the federal universal service policy. Any approach that starts with the states will compromise the nation's laudable commitment to "reasonably comparable" rural participation in the information economy and society.

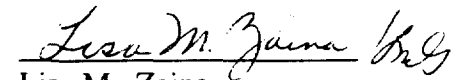
We look forward to working with your Commission to turn the 1996 Act's vision of universal service into an empowering resource for all Americans.

Sincerely,

THE RURAL TELEPHONE COALITION


Margot Smiley Humphrey
Koteen & Naftalin, L.L.P.
1150 Connecticut Ave., NW
Suite 100
Washington, D.C. 20036
Counsel for NRTA


L. Marie Guillory
NTCA
2626 Pennsylvania Ave., NW
Washington, D.C. 20037


Lisa M. Zaina
OPASTCO
21 Dupont Circle, NW
Suite 700
Washington, D.C. 20036